HERSHEY CO
Form 10-Q
October 26, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2018

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period
from ______to_______

Commission file number 1-183

THE HERSHEY COMPANY
(Exact name of registrant as specified in its charter)

Delaware	23-0691590
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

100 Crystal A Drive, Hershey, PA
17033
(Address of principal executive offices)
(Zip Code)
717-534-4200
(Registrant’s telephone number, including area code)
Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer x Accelerated filer ¨ Smaller reporting company ¨

Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Emerging growth company ¨

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Indicate the number of shares outstanding of each of the registrant's classes of common stock as of the latest practicable date.
Common Stock, one dollar par value—149,188,011 shares, as of October 19, 2018.
Class B Common Stock, one dollar par value—60,619,777 shares, as of October 19, 2018.

THE HERSHEY COMPANY
Quarterly Report on Form 10-Q
For the Period Ended September 30, 2018

TABLE OF CONTENTS

PART I — FINANCIAL INFORMATION
Item 1. Financial Statements.
THE HERSHEY COMPANY
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share amounts)
(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2018	October 1, 2017	September 30, 2018	October 1, 2017
Net sales	$2,079,593	$2,033,121	$5,803,167	$5,575,790
Cost of sales	1,216,100	1,090,185	3,172,194	2,957,655
Gross profit	863,493	942,936	2,630,973	2,618,135
Selling, marketing and administrative expense	453,921	477,452	1,388,793	1,380,212
Long-lived asset impairment charges	1,649	—	28,817	208,712
Business realignment costs	1,660	4,020	10,864	50,018
Operating profit	406,263	461,464	1,202,499	979,193
Interest expense, net	36,916	24,589	101,207	72,456
Other (income) expense, net	12,493	36,074	35,201	56,458
Income before income taxes	356,854	400,801	1,066,091	850,279
Provision for income taxes	91,441	126,788	226,640	275,291
Net income including noncontrolling interest	265,413	274,013	839,451	574,988
Less: Net income (loss) attributable to noncontrolling interest	1,700	710	(1,320)	(26,860)
Net income attributable to The Hershey Company	$263,713	$273,303	$840,771	$601,848
Net income per share—basic:				
Common stock	$1.29	$1.32	$4.11	$2.91
Class B common stock	$1.17	$1.20	$3.74	$2.64
Net income per share—diluted:				
Common stock	$1.25	$1.28	$3.99	$2.81
Class B common stock	$1.17	$1.20	$3.73	$2.64
Dividends paid per share:				
Common stock	$0.722	$0.656	$2.034	$1.892
Class B common stock	$0.656	$0.596	$1.848	$1.720

See Notes to Unaudited Consolidated Financial Statements.

THE HERSHEY COMPANY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)
(unaudited)

	For the three months ended September 30, 2018			October 1, 2017			For the nine months ended September 30, 2018			October 1, 20	
	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount	Pre-Tax Amount	Tax (Expense) Benefit	After-Tax Amount	Pre-Tax Amount	Ta (E Be
Net income including noncontrolling interest			$265,413			$274,013			$839,451		
Other comprehensive income (loss), net of tax:											
Foreign currency translation adjustments:											
Foreign currency translation gains (losses) during period	$5,365	$—	5,365	$9,605	$—	9,605	$(18,314)	$—	(18,314)	$27,878	$-
Reclassification to earnings due to the sale of businesses	25,131	—	25,131	—	—	—	25,131	—	25,131	—	—
Pension and post-retirement benefit plans:											
Net actuarial gain (loss) and prior service cost	(7,574)	1,871	(5,703)	(9,200)	3,487	(5,713)	(7,574)	1,871	(5,703)	(9,396)	3,5
Reclassification of tax effects relating to U.S. tax reform	—	—	—	—	—	—	—	(36,535)	(36,535)	—	—
Reclassification to earnings	12,082	(3,170)	8,912	24,300	(8,941)	15,359	22,273	(5,302)	16,971	38,544	(22
Cash flow hedges:											
Gains (losses) on cash flow hedging	(1,484)	1,207	(277)	(1,339)	761	(578)	6,320	(256)	6,064	(3,545)	1,6

derivatives											
Reclassification of tax effects relating to U.S. tax reform	—	—	—	—	—	—	—	(11,121)	(11,121)	—	—
Reclassification to earnings	(2,261)	(479)	(2,740)	1,962	(1,380)	582	2,462	(1,674)	788	7,374	(3,
Total other comprehensive income (loss), net of tax	$31,259	$(571)	30,688	$25,328	$(6,073)	19,255	$30,298	$(53,017)	(22,719)	$60,855	$(
Total comprehensive income including noncontrolling interest			$296,101			$293,268			$816,732		
Comprehensive income (loss) attributable to noncontrolling interest			497			1,029			(1,857)		
Comprehensive income attributable to The Hershey Company			$295,604			$292,239			$818,589		

See Notes to Unaudited Consolidated Financial Statements.

THE HERSHEY COMPANY
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	September 30, 2018 (unaudited)	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	$ 823,787	$ 380,179
Accounts receivable—trade, net	814,923	588,262
Inventories	880,673	752,836
Prepaid expenses and other	274,663	280,633
Total current assets	2,794,046	2,001,910
Property, plant and equipment, net	2,092,899	2,106,697
Goodwill	1,677,101	821,061
Other intangibles	1,008,051	369,156
Other assets	261,248	251,879
Deferred income taxes	2,844	3,023
Total assets	$ 7,836,189	$ 5,553,726
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 581,481	$ 523,229
Accrued liabilities	663,974	676,134
Accrued income taxes	61,030	17,723
Short-term debt	1,449,226	559,359
Current portion of long-term debt	3,115	300,098
Total current liabilities	2,758,826	2,076,543
Long-term debt	3,253,879	2,061,023
Other long-term liabilities	429,232	438,939
Deferred income taxes	144,980	45,656
Total liabilities	6,586,917	4,622,161
Stockholders' equity:		
The Hershey Company stockholders' equity		
Preferred stock, shares issued: none at September 30, 2018 and December 31, 2017	—	—
Common stock, shares issued: 299,281,967 at September 30, 2018, 2018 and December 31, 2017	299,281	299,281
Class B common stock, shares issued: 60,619,777 at September 30, 2018 and December 31, 2017	60,620	60,620
Additional paid-in capital	957,759	924,978
Retained earnings	6,843,057	6,371,082
Treasury—common stock shares, at cost: 150,181,170 at September 30, 2018 and 149,040,927 at December 31, 2017	(6,589,861)	(6,426,877)
Accumulated other comprehensive loss	(335,954)	(313,746)
Total—The Hershey Company stockholders' equity	1,234,902	915,338
Noncontrolling interest in subsidiary	14,370	16,227
Total stockholders' equity	1,249,272	931,565
Total liabilities and stockholders' equity	$ 7,836,189	$ 5,553,726

See Notes to Unaudited Consolidated Financial Statements.

3

THE HERSHEY COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine Months Ended	
	September 30, 2018	October 1, 2017
Operating Activities		
Net income including noncontrolling interest	$839,451	$574,988
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	225,803	194,313
Stock-based compensation expense	35,668	37,966
Deferred income taxes	1,343	(14,859)
Impairment of long-lived assets (see Notes 6 and 8)	28,817	208,712
Write-down of equity investments	23,067	23,999
Other	22,433	60,129
Changes in assets and liabilities, net of business acquisition and divestitures:		
Accounts receivable—trade, net	(212,193)	(161,451)
Inventories	(111,901)	(192,509)
Prepaid expenses and other current assets	(59,182)	(33,581)
Accounts payable and accrued liabilities	(1,665)	(15,380)
Accrued income taxes	125,698	18,849
Contributions to pension and other benefit plans	(26,705)	(57,883)
Other assets and liabilities	2,227	(17,394)
Net cash provided by operating activities	892,861	625,899
Investing Activities		
Capital additions (including software)	(241,214)	(148,923)
Proceeds from sales of property, plant and equipment and other long-lived assets	46,652	1,758
Proceeds from sales of businesses, net of cash and cash equivalents divested	171,950	—
Equity investments in tax credit qualifying partnerships	(34,170)	(39,977)
Business acquisition, net of cash and cash equivalents acquired	(915,457)	—
Net cash used in investing activities	(972,239)	(187,142)
Financing Activities		
Net increase in short-term debt	893,365	173,110
Long-term borrowings	1,199,891	—
Repayment of long-term debt	(910,851)	(204)
Repayment of tax receivable obligation	(72,000)	—
Cash dividends paid	(415,178)	(391,845)
Repurchase of common stock	(199,665)	(300,312)
Exercise of stock options	33,454	53,532
Net cash provided by (used in) financing activities	529,016	(465,719)
Effect of exchange rate changes on cash and cash equivalents	(6,030)	5,051
Increase (decrease) in cash and cash equivalents	443,608	(21,911)
Cash and cash equivalents, beginning of period	380,179	296,967
Cash and cash equivalents, end of period	$823,787	$275,056
Supplemental Disclosure		
Interest paid	$99,886	$81,497
Income taxes paid	94,969	271,412

See Notes to Unaudited Consolidated Financial Statements.

THE HERSHEY COMPANY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)
(unaudited)

	Preferred Stock	Common Stock	Class B Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Common Stock	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests in Subsidiaries	Total Stockholders' Equity
Balance, December 31, 2017	—	299,281	60,620	924,978	6,371,082	(6,426,877)	(313,746)	16,227	931,565
Net income (loss)					840,771			(1,320)	839,451
Other comprehensive income (loss)							25,448	(537)	24,911
Dividends (including dividend equivalents):									
Common Stock, $2.034 per share					(304,426)				(304,426)
Class B Common Stock, $1.848 per share					(112,026)				(112,026)
Stock-based compensation				36,008					36,008
Exercise of stock options and incentive-based transactions				(3,227)		36,681			33,454
Repurchase of common stock						(199,665)			(199,665)
Reclassification of tax effects relating to U.S. tax reform					47,656		(47,656)		—
Balance, September 30, 2018	$ —	$299,281	$60,620	$957,759	$6,843,057	$(6,589,861)	$(335,954)	$14,370	$1,249,272

See Notes to Unaudited Consolidated Financial Statements.

5

THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(amounts in thousands, except share data or if otherwise indicated)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The unaudited consolidated financial statements provided in this report include the accounts of The Hershey Company (the “Company,” “Hershey,” “we” or “us”) and our majority-owned subsidiaries and entities in which we have a controlling financial interest after the elimination of intercompany accounts and transactions. We have a controlling financial interest if we own a majority of the outstanding voting common stock and the noncontrolling shareholders do not have substantive participating rights, or we have significant control over an entity through contractual or economic interests in which we are the primary beneficiary.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial reporting and with the rules and regulations for reporting on Form 10-Q. Accordingly, they do not contain certain information and disclosures required by GAAP for comprehensive financial statements. The financial statements reflect all adjustments which are, in our opinion, necessary for a fair presentation of the results of operations, financial position, and cash flows for the indicated periods.

Operating results for the quarter ended September 30, 2018 may not be indicative of the results that may be expected for the year ending December 31, 2018 because of seasonal effects on our business. These financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2017 (our “2017 Annual Report on Form 10-K”), which provides a more complete understanding of our accounting policies, financial position, operating results and other matters.

Revenue Recognition

The majority of our revenue is derived by fulfilling customer orders for the purchase of our products, including chocolate, sweets, mints and other grocery and snack offerings. We recognize revenue at the point in time that control of the ordered product(s) is transferred to the customer, which is typically upon delivery to the customer or other customer-designated delivery point. Shipping and handling costs incurred to deliver product to the customer are recorded within cost of sales. Amounts billed and due from our customers are classified as accounts receivables on the balance sheet and require payment on a short-term basis.

Revenue is measured as the amount of consideration we expect to receive in exchange for fulfilling product orders. Sales, value add, and other taxes we collect concurrent with revenue-producing activities are excluded from revenue. Incidental items that are immaterial in the context of the contract are recognized as expense. The amount of consideration we expect to receive and revenue we recognize includes estimates of variable consideration, including costs for trade promotional programs, consumer incentives, and allowances and discounts associated with aged or potentially unsaleable products. These estimates are based upon our analysis of the programs offered, historical trends, expectations regarding customer and consumer participation, sales and payment trends and our experience with payment patterns associated with similar programs offered in the past. We review and update these estimates regularly and the impact of any adjustments are recognized in the period the adjustments are identified. The adjustments recognized in 2018 and 2017 resulting from updated estimates of revenue for prior year product sales were not significant.

We also recognize a minor amount of royalty income (less than 1% of our consolidated net sales) from sales-based licensing arrangements, pursuant to which revenue is recognized as the third-party licensee sales occur.

The majority of our products are confectionery or confectionery-based and, therefore, exhibit similar economic characteristics, such that they are based on similar ingredients and are marketed and sold through the same channels to the same customers. See Note 12 for revenues reported by geographic segment, which is consistent with how we organize and manage our operations.

THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(amounts in thousands, except share data or if otherwise indicated)

Recent Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (ASC Topic 606), which replaces numerous requirements in U.S. GAAP, including industry-specific requirements, and provides companies with a single revenue recognition model for recognizing revenue from contracts with customers. On January 1, 2018, we adopted the requirements of ASC Topic 606 and all the related amendments to all of our contracts using the modified retrospective method. Upon completing our implementation assessment of Topic ASC 606, we concluded that no adjustment was required to the opening balance of retained earnings at the date of initial application. The comparative information was not restated and continues to be reported under the accounting standards in effect for those periods. Additional disclosures required by ASC Topic 606 are presented within the aforementioned Revenue Recognition policy disclosure.

In October 2016, the FASB issued ASU No. 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory. This ASU requires the income tax consequences of intra-entity transfers of assets other than inventory to be recognized when the intra-entity transfer occurs rather than deferring recognition of income tax consequences until the transfer was made with an outside party. We adopted the provisions of this ASU in the first quarter of 2018. Adoption of the new standard did not have a material impact on our Consolidated Financial Statements.

In March 2017, the FASB issued ASU No. 2017-07, Compensation-Retirement Benefits (Topic 715). This ASU requires an employer to report the service cost component of net benefit cost in the same line item as other compensation costs arising from services rendered by the pertinent employees during the period. The other components of net benefit cost are required to be presented in the income statement separately from the service cost component and outside a subtotal of income from operations, if presented, or disclosed separately. In addition, only the service cost component may be eligible for capitalization where applicable. The amendments should be applied on a retrospective basis. We adopted the provisions of this ASU in the first quarter of 2018, with retrospective adjustment to the comparative periods determined using the previously disclosed service cost and other costs from our prior year pension and other post-retirement benefit plan footnote. As a result, the following amounts were reclassified for the three and nine months ended October 1, 2017 to correspond to the current year presentation:

	Three Months Ended	Nine Months Ended
	October 1, 2017	
Reclassified from:		
Cost of sales	$2,714	$8,143
Selling, marketing and administrative expense	19,730	24,758
Reclassified to Other (income) expense, net	$22,444	$32,901

The adoption of this ASU had no impact on our consolidated balance sheets or statements of cash flows.

In February 2018, the FASB issued ASU No. 2018-02, Income Statement-Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. This ASU permits a company to reclassify the income tax effects of the 2017 Tax Cuts and Jobs Act (“U.S. tax reform”) on items within accumulated other comprehensive income (“AOCI”) to retained earnings. We adopted the provisions of this ASU in the first quarter of 2018. We elected to reclassify the income tax effects of the 2017 U.S. tax reform from items in AOCI as of January 1, 2018 so that the tax effects of items within AOCI are reflected at the appropriate tax rate. The impact of the reclassification resulted in a $47,656 decrease to AOCI and a corresponding increase to retained earnings. This amount is considered “provisional” based on reasonable estimates as the Company continues to collect and analyze detailed information about the associated impact of items under U.S. tax reform.

7

THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(amounts in thousands, except share data or if otherwise indicated)

Recently Issued Accounting Pronouncements Not Yet Adopted

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). This ASU will require lessees to recognize most leases on their balance sheets as lease liabilities with corresponding right-of-use ("ROU") assets. Recognition, measurement and presentation of expenses will depend on classification as a finance or operating lease. We are currently in the process of evaluating our existing lease portfolio, including accumulating all of the necessary information required to properly account for the leases under the new standard. Additionally, we are implementing new software functionality to assist in the accounting and are evaluating changes to our processes and internal controls to ensure we meet the standard's reporting and disclosure requirements. In July 2018, the FASB issued ASU No. 2018-11, which provides entities with an additional transition method to adopt Topic 842. Under the new transition method, an entity initially applies the new leases standard at the adoption date, versus at the beginning of the earliest period presented, and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. The Company expects to elect this transition method at the adoption date of January 1, 2019. We expect adoption of this standard to result in a material increase in lease-related assets and liabilities on our Consolidated Balance Sheets; however, we do not expect it to have a significant impact on our Consolidated Statements of Income or Cash Flows.

In August 2017, the FASB issued ASU No. 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities, which amends ASC 815. The purpose of this ASU is to better align accounting rules with a company's risk management activities and financial reporting for hedging relationships, better reflect economic results of hedging in financial statements, simplify hedge accounting requirements and improve the disclosures of hedging arrangements. The amendment should be applied using the modified retrospective transition method. ASU 2017-12 is effective for annual periods beginning after December 15, 2018 and interim periods within those annual periods, with early adoption permitted. We will adopt the provisions of this ASU in the first quarter of 2019. Adoption of the new standard is not expected to have a material impact on our Consolidated Financial Statements.

In June 2018, the FASB issued ASU No. 2018-07, Compensation – Stock Compensation (Topic 718), Improvements to Nonemployee Share-Based Payment Accounting. This ASU is intended to simplify aspects of share-based compensation issued to non-employees by making the guidance consistent accounting for employee share-based compensation. ASU 2018-07 is effective for annual periods beginning after December 15, 2018 and interim periods within those annual periods, with early adoption permitted but no earlier than an entity's adoption date of Topic 606. We will adopt the provisions of this ASU in the first quarter of 2019. Adoption of the new standard is not expected to have a material impact on our Consolidated Financial Statements.

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820), Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement. This ASU modifies the disclosure requirements for fair value measurements by removing, modifying or adding certain disclosures. ASU 2018-13 is effective for annual periods beginning after December 15, 2019 and interim periods within those annual periods, with early adoption permitted. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. We are currently evaluating the effect that ASU 2018-13 will have on our consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU No. 2018-14, Compensation—Retirement Benefits—Defined Benefit Plans—General (Topic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans, which modifies the disclosure requirements for defined benefit pension plans and other post-retirement plans. ASU 2018-14 is effective for annual periods beginning after December 15, 2020, with early adoption permitted. We are currently evaluating the effect that ASU 2018-14 will have on our consolidated financial statements and related disclosures.

8

THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(amounts in thousands, except share data or if otherwise indicated)

In August 2018, the FASB issued ASU No. 2018-15, Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40), Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. This ASU aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). ASU 2018-15 is effective for annual periods beginning after December 15, 2019 and interim periods within those annual periods, with early adoption permitted. The amendments in this ASU should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. We are currently evaluating the effect that ASU 2018-15 will have on our consolidated financial statements and related disclosures.

No other new accounting pronouncement issued or effective during the fiscal year had or is expected to have a material impact on our consolidated financial statements or disclosures.

2. BUSINESS ACQUISITION

On January 31, 2018, we completed the acquisition of all of the outstanding shares of Amplify Snack Brands, Inc. (“Amplify”), a publicly traded company based in Austin, Texas that owns several popular better-for-you snack brands such as SkinnyPop, Oatmega, Paqui and Tyrrells. Amplify's anchor brand, SkinnyPop, is a market-leading ready-to-eat popcorn brand and is available in a wide range of food distribution channels in the United States. Total consideration of $968,781 included payment of $12.00 per share for Amplify's outstanding common stock (for a total of $907,766), as well as payment of Amplify's transaction related expenses, including accelerated equity compensation, consultant fees and other deal costs. The business enables us to capture more consumer snacking occasions by contributing a new portfolio of brands.

The acquisition has been accounted for as a purchase and, accordingly, Amplify's results of operations have been included within the North America segment results in our consolidated financial statements since the date of acquisition. The purchase consideration, net of cash acquired totaling $53,324, was allocated to assets acquired and liabilities assumed based on their respective fair values as follows:

Accounts receivable	$41,152
Other current assets	35,509
Plant, property and equipment, net	71,093
Goodwill	939,388
Other intangible assets	682,000
Other non-current assets	1,049
Accounts payable	(32,394)
Accrued liabilities	(109,565)
Current debt	(610,836)
Other current liabilities	(2,931)
Non-current deferred income taxes	(93,859)
Non-current liabilities	(5,149)
Net assets acquired	$915,457

In connection with the acquisition, the Company agreed to pay in full all outstanding debt owed by Amplify under its existing credit agreement as of January 31, 2018, as well as the amount due under Amplify's existing tax receivable obligation. The Company funded the acquisition and repayment of the acquired debt utilizing the proceeds from the issuance of commercial paper.

During 2018, we recorded measurement period adjustments totaling $26,865, the majority of which related to an increase in the final valuation of the assumed tax receivable obligation. The purchase price allocation has been concluded as of the end of the second quarter, except for the valuation of income tax-related liabilities, which we are still in the process of finalizing.

THE HERSHEY COMPANY
NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS
(amounts in thousands, except share data or if otherwise indicated)

Goodwill is being determined as the excess of the purchase price over the fair value of the net assets acquired (including the identifiable intangible assets) and is not expected to be deductible for tax purposes. The goodwill that will result from the acquisition is attributable primarily to cost-reduction synergies as Amplify leverages Hershey's resources, expertise and capability-building.

Other intangible assets includes trademarks of $648,000 and customer relationships of $34,000. Trademarks were assigned estimated useful lives ranging from 28 to 38 years and customer relationships were assigned estimated useful lives ranging from 14 to 18 years.

We used various valuation techniques to determine fair value, with the primary techniques being discounted cash flow analysis, relief-from-royalty, and a form of the multi-period excess earnings valuation approaches, which use significant unobservable inputs, or Level 3 inputs, as defined by the fair value hierarchy. Under these valuation approaches, we are required to make estimates and assumptions about sales, operating margins, growth rates, royalty rates and discount rates based on budgets, business plans, economic projections, anticipated future cash flows and marketplace data.

The Company incurred acquisition-related costs of $20,577 related to the acquisition of Amplify, the majority of which were incurred during the first quarter of 2018. Acquisition-related costs consisted primarily of legal fees, consultant fees, valuation fees and other deal costs and are recorded in the selling, marketing and administrative expense caption within the Consolidated Statements of Operations.

3. GOODWILL AND INTANGIBLE ASSETS

The changes in the carrying value of goodwill by reportable segment for the nine